

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

August 28, 2014

PUBLIC SESSION

A monthly meeting of the Board of Directors (the “Board”) of the Small Business Loan Fund Corporation (the “Corporation”) was held in public session at the offices of the Rhode Island Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on Thursday, August 28, 2014, scheduled for 9:30 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty, Mr. John Pagliarini, Ms. Antonietta Falconi, Ms. Yahaira Placencia, Mr. Lee Mercer and Mr. Richard DeMerchant.

Mr. Joseph Monteiro joined the meeting in progress at 9:42 a.m.

Also present were: Mr. William Ash, Director of Financial Services for the Rhode Island Commerce Corporation, Ms. Stacy Farrell, Corporation Secretary, Mr. Daniel Price, Corporation Administrator, Ms. Denise Barge, Corporation Administrator, Mr. Christopher Cannata, Manager of Client Services for the Rhode Island Commerce Corporation, Mr. Tom Moses, Esq., Moses Afonso Ryan Ltd and Mr. John Garrahy, Esq., Moses Afonso Ryan Ltd.

Mr. Fogarty presided over the meeting.

1. Call to Order.

Mr. Fogarty called the meeting to order at 9:31 a.m.

Mr. Garrahy asked the board to move into Executive Session to discuss the Schulz Boat Receivership agenda as he had another obligation he needed to attend.

Executive Session

Mr. Fogarty suggested that the Board move into Executive Session. Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant, the motion to move the meeting into Executive Session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(2), 42-46-5(a)(5), 42-46-5(a)(6) and 42-46-5(a)(7) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: Mr. Monteiro

Public Session concluded and Executive Session began at 9:33 a.m.

2. Executive Session Vote Ratification

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Ms. Placencia and seconded by Mr. Pagliarini, the following votes were ratified:

- (a) To authorize legal counsel to take all reasonable steps to protect the collateral of the transaction on behalf of the SBLFC.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

Mr. Garrahy left the meeting at this time.

3. Approval of the Minutes of the Meeting held on July 31, 2014

The next item to come before the Board was approval of the Minutes of the Board meeting held on July 31, 2014. A motion was duly made by Ms. Placencia and seconded by Mr. DeMerchant, to approve the Public and Executive Session Minutes of the meeting noted above was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

4. Maintain the Executive Minutes of the July 31, 2014 meeting as Confidential

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on July 31, 2014. Upon

motion duly made by Mr. DeMerchant and seconded by Ms. Falconi, the motion to maintain the confidentiality of the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

5. Report of Cash Position as of July 31, 2014

Staff asked if there were any questions or comments regarding the Cash Report for the period ended July 31, 2014 (Exhibit A). There was no discussion regarding this report.

6. Delinquency Loan Report as of August 21, 2014

Mr. Fogarty asked if there were any questions regarding the Loan Delinquency report dated August 21, 2014 (Exhibit B). Staff noted that one of the companies on the report, Breachway Bait & Tackle, had made a payment which brought the account current. There was no further discussion regarding this report.

7. Loan Loss Reserve Allocation

Mr. Ash presented the Board with a Memorandum outlining the recommended loan loss reserve for fiscal year 2015 (Exhibit C). He noted that in the past the fund reserved a percentage of the fund balance as a reserve, however, the accounting firm which was conducting a financial audit of the fund asked that troubled loans also be accounted for individually for reserve. Mr. Ash indicated that there could be further discussion in Executive Session regarding these companies. Upon motion duly made by Ms. Placencia and seconded by Ms. Falconi, the motion to accept the loan loss reserve allocation as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

8. Discussion of Quasi-Public Corporations Accountability and Transparency Act.

Mr. Ash addressed the Board regarding a recently passed piece of legislation now known as the “Quasi-Public Corporations Accountability Act” (Exhibit D). There was

some discussion regarding the requirements outlined in the legislation for the purposes of providing transparency within these Quasi-Public Corporations. Mr. Ash noted this was for information purposes only. There was no further discussion regarding this matter.

9. Request for Authorization to issue Request for Proposal (“RFP”) relating to legal counsel for the Corporation

Mr. Ash advised the Board that in light of the Transparency Act which was just discussed, prudent governance of the program dictates a process should be in place and used to engage legal counsel. He noted the law firm of Moses Afonso Ryan had done an outstanding job over the years for SBLFC, however he felt there should be some structure around how legal counsel is engaged and asked that the Board allow staff to prepare an RFP to go out for public bid regarding the legal services for the Corporation. Mr. Mercer suggested there be some clarification regarding the criteria which would be included in an RFP for these services and suggested an amendment to the By-Laws which would outline how frequently the services went out to bid. It was suggested that all services have an RFP, not legal services exclusively. Mr. Fogarty asked that a member make a motion for consideration regarding this issue. A motion was made by Mr. Mercer to reject the recommendation by staff to issue an RFP for legal services at this time and proposed that all profession services be put out to bid on a specific schedule, suggestion is 5 years. Staff should bring suggested amended By-Laws before the board for approval outlining when services would be renewed and what criteria would be used. The motion was seconded by Mr. Monteiro.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

10. Tobey Waste Settlement Proposal in the amount of \$120,000

Mr. Ash reminded the Board that at their April meeting they agreed to accept a settlement of the outstanding debt with Tobey Waste in the amount of \$150,000. The Providence Economic Development Partnership (“PEDP”) had also agreed to a settlement with Tobey Waste; however the total amount offered by the client was \$300,000. Since PEDP had more outstanding debt they felt they should receive more than half of the settlement and have agreed to accept \$180,000 and have asked that SBLFC accept \$120,000. The original debt from both SBLFC and PEDP had been assumed by Tobey Waste from Cleanscape. Upon motion duly made by Ms. Placencia and seconded by Ms. Falconi, the motion to accept a settlement from Tobey Waste in the amount of \$120,000 was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

Executive Session

Mr. Fogarty suggested that the Board move into Executive Session to discuss the remaining agenda items. Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant, the motion to move the meeting into Executive Session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(2), 42-46-5(a)(5), 42-46-5(a)(6) and 42-46-5(a)(7) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

Public Session concluded and Executive Session began at 10:42 a.m.

11. Executive Session Vote Ratification

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant, the following votes were ratified:

- (b) To approve the request from Pet Food Experts for a \$500,000 loan as presented.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

Adjournment

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Ms. Placencia and seconded by Ms. Falconi, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Fogarty, Ms. Placencia, Ms. Falconi, Mr. Pagliarini, Mr. Mercer, Mr. Monteiro and Mr. DeMerchant.

The following Directors voted against the foregoing: None

The following Directors were absent for voting: None

The meeting was adjourned at 10:56 a.m.

Respectfully submitted,

/s/ Stacy Farrell

Stacy Farrell, Secretary